

Message Text

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ORIGIN EA-10

INFO OCT-01 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01

COME-00 DODE-00 EB-07 FEAE-00 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-03 USIA-06

SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 FRB-03 /091 R

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FM SECSTATE WASHDC

TO AMEMBASSY TAIPEI

INFO AMEMBASSY TOKYO

AMCONSUL HONG KONG

USLO PEKING

C O N F I D E N T I A L STATE 150959

E.O. 11652:GDS

TAGS: ENRG, CH, TW

SUBJECT: OFFSHORE OIL DEVELOPMENTS

REFERENCE: JCS 230835Z JUN 75

1. APPARENTLY AS A RESULT OF THEIR SENSITIVITY TO OUR DEEP INTEREST IN THE SUBJECT, A NUMBER OF U.S. OIL COMPANIES HAVE REPORTED THEIR PROSPECTIVE PLANS FOR OFFSHORE EXPLORATION ACTIVITIES IN THE TAIWAN AREA TO EA/ROC WITHIN THE PAST FEW DAYS.

2. IN LIGHT OF THE POSSIBILITY THAT WODECO VIII MAY ABANDON DRILLING FOR GULF (REFTEL), OCEANIC EXPLORATION COMPANY HAS DISCUSSED WITH GULF THE POTENTIAL UTILIZATION
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OF THIS RIG TO DRILL A WELL LOCATED 27 N AND 124 30 E

(LOWER BOUNDARY OF OCEANIC'S ZONE 3 CONCESSION). ACCORDING TO OCEANIC'S WES FARMER, HOWEVER, THE FIRM PREFERS TO POSTPONE DRILLING UNTIL GULF OR ANOTHER US FIRM DISCOVERS COMMERCIALY EXPLOITABLE OIL NORTH OF TAIWAN.

3. EUGENE CORTRIGHT, DIRECTOR OF INTERNATIONAL OPERATIONS, CITIES SERVICE COMPANY, HAS INFORMED US THAT THE FIRM HAS DECIDED NOT TO PROCEED WITH A PENDING CONOCO/AMOCO PROPOSAL FOR A FARM-OUT OF PART OF THE LATTER'S CONCESSION

IN THE TAIWAN STRAIT. CORTRIGHT STATED QUOTE NEEDLESS TO SAY, THE POLITICS OF THE AREA WAS AN IMPORTANT FACTOR LEADING TO THIS DECISION UNQUOTE.

4. JOHN SAGE, VICE PRESIDENT OF WESTERN OFFSHORE DRILLING COMPANY, WHOSE RIG WODECO IV IS CURRENTLY UNDER CONTRACT TO THE CHINESE PETROLEUM CORPORATION (CPC), HAS CONFIRMED THAT CPC PLANS TO DRILL ITS NEXT WELL IN THE VICINITY OF 27 N AND 122 E IN THE EAST CHINA SEA, I.E., ROUGHLY 150 KILOMETERS NORTH OF TAIWAN AND EQUIDISTANT FROM THE MAINLAND. THE RIG WOULD PROCEED TO ITS NEW SITE WITHIN 30 DAYS AND REMAIN ON STATION FOR FOUR TO SIX MONTHS. CPC HAS GUARANTEED WESTERN OFFSHORE FULL REPLACEMENT VALUE FOR WODECO IV SHOULD THE RIG BE DESTROYED.

5. ACCORDING TO SAGE, WESTERN OFFSHORE EXPECTS ITS CONTRACT WITH CPC TO BE TERMINATED IF THE FIRM DECLINES TO PROCEED WITH THE PROPOSED DRILLING. SHOULD WESTERN OFFSHORE AGREE, CPC HAS GUARANTEED UTILIZATION OF WODECO IV THROUGH JUNE OF NEXT YEAR. WE REITERATED OUR ADVICE ON DRILLING IN DISPUTED WATERS, EMPHASIZING OUR VIEW THAT DRILLING IN THE PROPOSED LOCATION WOULD BE EXTREMELY PROVOCATIVE TO THE PRC AND UNDERLINING OUR STRONG HOPE THAT WESTERN OFFSHORE WOULD NOT PROCEED AGAINST OUR ADVICE. SAGE PROMISED TO INFORM US OF THE FIRM'S DECISION BY THE END OF NEXT WEEK. KISSINGER

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